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Interview with Dr Craig Emerson

E&OE

Subjects: Small business tax reform.

EDMONDS: Well joining me from our Canberra studio now, Small Business Minister Craig Emerson.

Dr Emerson, thank you for your time.

On the resources super profits tax. Talk this morning about Rio Tinto putting on hold a decision to expand in the Pilbara. And even the Canadian Government indicating they're keen to talk to resource companies if they're looking for somewhere to take their projects.

When's the Prime Minister going to signal some sort of compromise?

EMERSON: We've indicated that through the consultation process that is set out in the response to the Henry - and which is already started - that we're quite prepared to talk to industry about the detailed implementation of the 40 per cent resource super profits tax. And discussions or statements by the Canadian Government - they can make them if they want. But the fact is, the Australian people deserve a reasonable share of the profits that are generated from the development of Australia's mineral resources which are actually owned by the Australian people.

EDMONDS: Was there any consultation with the mining industry before this was announced?

EMERSON: Well I wasn't involved personally in consultations, but I do know that mining industry executives expected something like this. I don't know the details of that. But what I do know, as Small Business Minister, Celina, is that Tony Abbott's decision to try to block this resources tax would mean that if he is successful 2.4 million small businesses around Australia - all of them - would miss out on a tax break.

Now the Liberals say that they're the party of small business, but they're quite happy to do everything they can to deny every one of Australia's small businesses much needed and much deserved tax relief.

EDMONDS: When you were a junior staffer for the former Hawke Government they, of course, announced a petroleum and gas tax. And which you have...

EMERSON: That's right.

EDMONDS: ...yourself report - used as part of your argument to sell this resources tax, saying this has been a very successful tax. In your memory, can you remember more consultation than what we've seen here?

EMERSON: Well, it was a similar process; that is the Government announced that it was going to introduce a resources tax. The rate of the resources tax, that is the petroleum resource rent tax, is exactly the same - that is 40 per cent is the proposed resource super profits tax. The same rate of tax. The same concept of a tax.

We then went into detailed consultation. And all of those industry protestations that were made at the time, and I actually kept the documents and I'm going through them right now - were that 'that will be the end of oil and gas exploration in this country' and 'no-one else will ever explore for, or develop gas resources in this country' - proved to be incorrect.

EDMONDS: Well...

EMERSON: In fact we've seen just recently a go-ahead by the private sector for the Gorgon gas project, a gigantic project, and the Pluto project, another gigantic project, under the petroleum resource rent tax set at the rate of 40 cents.

EDMONDS: Certainly Dr Emerson, though, can I suggest to you that there's more for Australians to lose now. There's more Australians who

have investments tied up in the share market and we've seen billions wiped off stocks this week.

EMERSON: And what we saw, when I was working on the implementation of the petroleum resource rent tax, was increases overall in the profitability of oil and gas exploration and the extension of the life of Bass Strait oil and gas production for many decades following the introduction of the resources tax. Highly profitable operations, in which - in which, the Australian people were able to share, to the tune of 40 per cent, in those higher profits.

Now that is good for oil exploration and development in this country, as evidenced by the go ahead of massive projects under the same sort of tax that we're now proposing for minerals, and at the same rate, given the go ahead by the private sector.

Now, of course, private sector people will say oh, well, we don't want this. We understand that the mining industry would prefer to be less taxed than more appropriately taxed. We understand that. But I'm just saying, that we - I went through this with Bernie Fraser who's come out and supported our proposal, because Bernie Fraser was working in the Department of Resources and Energy at the time, and we heard very, very similar protestations.

EDMONDS: Okay, I want to move onto the issue of the superannuation levy. Small businesses indicated...

EMERSON: Sure.

EDMONDS: ...they'll keep wages down in order to pay the increased superannuation levy and that's simply not good for employees is it?

EMERSON: Well let's have a look at what is actually being proposed here. That is a gradual increase from nine per cent to 12 per cent, spread over not one year, not two years, but 10 years.

EDMONDS: Isn't that long though for people to have to...

EMERSON: From nine per cent to 12 per cent.

EDMONDS: ...have - but isn't that a longer period for people to be faced with the fact that they're not going to get a decent wage rise?

EMERSON: Well let's again keep it in perspective. If you're a small business and you have an employee who is earning say \$30 an hour, this would add in 2013 seven and a half cents - seven and a half cents to that \$30 an hour wage bill. In the second year it would

add 15 cents. So let's forget about all this hysteria from Joe Hockey that this is, again, the end of small business as we know it. Seven and a half cents on a \$30 wage bill and this will be phased in over a period of 10 years.

It should have happened before, because it was a previous Labor government again that went from zero to nine per cent. Paul Keating had budgeted for it to go from nine per cent to 12 per cent. John Howard, as Opposition Leader said he would honour that commitment. What did he do when the Liberals got into government? They cancelled it. And now we will be going from nine to 12 per cent, but over a very substantial period of time, therefore making it much easier for small businesses to absorb those very modest cost increases.

EDMONDS: I want to turn to the issue of company tax. Not everyone is going to benefit. I know you're aware of it. Isn't it a flaw of your policy that a large number of small businesses are sole traders, partnerships or trusts and there's no benefit from a reduced company tax for them?

EMERSON: Well those that are paying company tax - and there's 720,000 of them - would get the benefit not only of the company tax reduction Selena, but a head start on it. That it starts before the company tax reduction for larger companies. But every one of the small businesses in Australia, whether they are sole traders, whether they are partnerships or whether they are companies, would get the benefit of the instant write-off - the instant write-off of the value of assets up to a value of \$5,000. So think about ride-on lawnmowers, think about laptop computers, office furniture. At present, in the first year, those can be written off only at the rate of 15 per cent. This would be 100 per cent write-off in the year in which they're purchased. Therefore, a boost to the cash flow of small businesses, and a very strong incentive to invest in their productive capacity. Not just...

EDMONDS: Just quickly...

EMERSON: ...for companies, but every small business in Australia.

EDMONDS: Just quickly, before we have to go Dr Emerson, many commentators say they were underwhelmed by the Government's response to the Henry Tax Review. Only a handful of the 138 recommendations were introduced and you ruled out more than you ruled in.

In next week's Budget, will we see, for instance, a simplification of lodging tax returns, something more for small business perhaps?

EMERSON: Well I'm not going to disclose what's in the Budget and I know that will be of some disappointment to you Selena. But I do know this; the Council of Small Business of Australia has welcomed the tax reform proposals, has welcomed them. And has criticised the proposal - and it is a proposal of Tony Abbott - to block the resources tax in the Senate and thereby denying the funding that would be made available to provide small business tax relief under our tax reform plan.

EDMONDS: Well it was worth a try.

EMERSON: [Laughs]

EDMONDS: Craig Emerson in Canberra, many thanks for your time.

EMERSON: Okay. Thanks Celina.

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